

**PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
COMMISSION DIRECTIVE**

ADMINISTRATIVE MATTER

☐

DATE

May 02, 2018

MOTOR CARRIER MATTER

☐

DOCKET NO.

2017-292-WS

UTILITIES MATTER

☒

ORDER NO.

SUBJECT:

[DOCKET NO. 2017-292-WS](#) - Application of Carolina Water Service, Incorporated for Approval of an Increase in Its Rates for Water and Sewer Services - Staff Presents for Commission Consideration Carolina Water Service, Incorporated's Application for an Increase In Its Rates for Water and Sewer Services.

COMMISSION ACTION:

For Docket No. 2017-292-WS, this matter comes before the Commission for the final disposition of the Carolina Water Service rate case, which I must say had some unusual matters to consider. My motion does not include all items in dispute or any adjustments to which the ORS and CWS agreed. All items in dispute and all adjustments will be discussed in detail in the Commission Order. This motion will address the major items in dispute.

First, with regard to the effect of the Tax Cuts and Jobs Act, this Commission held, in Order No. 2018-308, that, beginning January 1, 2018, regulatory accounting treatment is required for all regulated utilities for any impacts of the new law, including current and deferred tax impacts. We also held that the utilities should track and defer the effects resulting from the Tax Act in a regulatory liability account and, further, that for water/wastewater utilities with operating revenues that are equal to or greater than \$250,000, the issue will be addressed at the next rate case or other proceeding.

I move that we hold that the provisions of Order No. 2018-308 should apply to Carolina Water Service, as well as to the other utilities indicated in Order No. 2018-308.

I further move that \$284,233 of sludge-hauling expenses is appropriate. With regard to sludge hauling, the company testified that the increase in expense during the test year was caused by additional sludge-removal requirements at the Friarsgate Plant and will continue until a new treatment facility is available. These costs are recoverable as known and measurable, and prudently incurred so as to comply with DHEC requirements.

Regarding the amortization of non-rate-case legal expenses, I move that \$998,606 in legal expenses were prudently incurred and should be amortized over 66.7 years, resulting in an annual legal expense of \$14,979. Regulated utilities, like any business, will experience litigation costs associated with its business operations. Without its defending against litigation, the Town of Lexington may not have condemned the company's I-20 wastewater system, which benefits the CWS customers who were served by that I-20 system.

With regard to rate-base adjustments apart from the establishment of a regulatory liability to account for excess federal taxes, I move that \$1,081,375 for the removal of the EQ liner and soil remediation at the Friarsgate Plant be included in rate base, even though the new EQ liner has not been installed. According to the company, a DHEC consent order required the removal of the existing liner, the environmental mitigation of soils under the existing liner, and the replacement of the existing liner. I believe that the cost of the removal of the existing EQ liner and environmental remediation serve the company's customers and the public interest.

I also move that we hold that the W.K. Dixon invoice costs of \$306,552 are recoverable since W.K. Dixon was

hired to design an O&M manual and take other measures to ensure DHEC compliance for the plant. These costs were prudently incurred to ensure necessary compliance with environmental regulations and are recoverable.

Further, I move that we approve the company's proposals to eliminate the base facilities charge for irrigation-only meters and to eliminate the non-revenue water deferral account.

I further move that we approve the changes to back-flow testing requirements, the water-meter installation charge, and the addition of the limitation of liability. Also, the combination of certain sewer rates should be approved. In addition, the company's proposed actions with regard to the Forty Love Point and the Dancing Dolphin systems should be found to be reasonable.

Regarding the Forty Love Point neighborhood, CWS and the neighborhood association have agreed to cooperatively investigate the source and extent of sewage problems experienced by customers in Forty Love Point and formulate a plan to address the issues. I would note that the company is retaining an engineering firm to perform an assessment of the Forty Love system and will report their findings to the PSC and ORS within six months.

Finally, I move that we approve the range of rate of return on equity of 10.45 percent to 10.95 percent, as recommended by CWS Witness D'Ascendis, which I believe is fair and reasonable; set rates based on a 10.5 percent return on equity, which is very near the lower end of the recommended range; and approve the rates resulting from the adjustments as discussed above or agreed to by ORS, and the rate-of-returns stated above.

The adjustments discussed above, combined with the adjustments agreed upon by the company and ORS reduce by 35 percent the revenue increase proposed by the company in its Application.

Also, I move that the Commission require Carolina Water Service to prepare semiannual reports for submission to this Commission and to ORS, describing the customer complaints it has received during that period, Carolina Water Service's response to those complaints, and the results of those responses, and a separate report on a semiannual basis describing capital improvements that the company has made during that period to enhance the quality of service to its customers and the costs incurred during the period for such capital improvements. The semi-annual reports should include the engineering-firm assessment and activity for improving the Forty Love system.

PRESIDING: Whitfield

SESSION: Regular

TIME: 2:00 p.m.

	MOTION	YES	NO	OTHER
BOCKMAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
ELAM	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	
FLEMING	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
HAMILTON	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
HOWARD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
RANDALL	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
WHITFIELD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

(SEAL)

RECORDED BY: J. Schmieding

